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Date 21 Mar 90

Surname [REDACTED]

FEB 9 1990

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Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code [hereinafter "Code"]. We have determined that you do not qualify for exemption under that section of the Code. Our reasons for this conclusion and the facts upon which it is based are explained below.

The submitted information shows that you were incorporated on [REDACTED] pursuant to the provisions of the [REDACTED] Non-Profit Corporation Act (Section 13-3A-1, et seq.) (1975) for the purpose of offering a wide array of continuing medical educational [herein "CME"] programs for physicians, dentists and other health professionals in a variety of atmospheres, and for the further purpose of engaging in any activity necessary to the conduct of the stated purposes and objects.

You are dedicated to sponsoring the highest quality CME Conferences available, in a relaxed hunting environment. Accordingly, your only activity is the sponsorship of medical health Conferences that have been approved by the American Medical Association and the American Academy of Family Physicians. You try to conduct at least two CME Conferences a year, but you will cancel a Conference if you feel that there will not be enough hunter/physicians to justify the Conference. Your Conferences cover many medical topics, and are held at commercial outdoor sports lodges. [REDACTED] offers CME credit for participation in your program; such credit is used to fulfill requirements or recommendations of professional societies. You have stated that your purpose is to provide an incentive for attendance by "rural and urban physicians not easily reached by conventional 'CME' conference activities."

In your [REDACTED] Conference, which you described as typical of your activities, [REDACTED] hours of medical topics were presented by different speakers. Most of these speakers are associated with [REDACTED]. The Conference began at 11:00 a.m. on a Wednesday and concluded at 1:00 p.m. the

following Sunday. Educational programs were primarily scheduled during evening hours and during mid-day periods that did not significantly conflict with organized hunting activities conducted by the operators of the lodge. All Conference participants paid a "per day" flat fee, which entitled them to: CME credit; participation in the educational programs; room and board; and full participation in all lodge-sponsored hunting available to other guests. There is no diminution of costs of the "package" for those who choose to attend a Conference for education and the ambiance, but choose not to hunt. Promotional literature for the lodge indicates that the lodge's staff daily takes hunters to designated hunting areas after breakfast, returns them to the lodge for lunch, takes them out again in mid-afternoon, and returns them to the lodge "after dark." Promotional literature for the [REDACTED] Conference suggests that [REDACTED] hours of time were programmed for and allocable to leisure and educational activity. [REDACTED] hours, i.e., [REDACTED] percent of the programmed time, were allocable to leisure activity; [REDACTED] hours, i.e., [REDACTED] percent of the programmed time, were allocable to educational activity.

Your projected budgets and the rate information supplied in the lodge's literature indicate that: payments to the lodge will constitute about [REDACTED] percent for [REDACTED], and [REDACTED] percent for [REDACTED] of your expenditures; and [REDACTED] percent of participant's costs in [REDACTED] and [REDACTED] percent of participant's costs in [REDACTED]. The lodge's brochure indicates that all guests pay a "package" rate that includes hunting activities.

Your advertisement includes a 3" by 5" card, which depicts an adult hunter and a child hunter kneeling in a forest over two trophies. The text on the back of the card asks the following question: "How would you like to tag a trophy like one of these . . .?" You also have an advertisement in the [REDACTED] issue of [REDACTED] magazine. The prominent part of this advertisement simply asks the following question: "Like To Hunt?"; the question is asked in print that takes up two-thirds of the advertisement.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for educational purposes.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states that in order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(4) provides that an organization is not organized exclusively for exempt purposes unless its assets are

dedicated to an exempt purpose.

Your assets are not clearly dedicated to an exempt purpose. Your dissolution clause merely states that in the event of dissolution, your assets shall be distributed to [REDACTED] [hereinafter "[REDACTED]"]. This fails to answer the question of how your assets would be distributed if the [REDACTED] were dissolved. Moreover, the letter from the District Director of the Atlanta District, which is dated [REDACTED], is not conclusive on the issue of whether [REDACTED] is presently or will continue to be an instrumentality of the State of [REDACTED]. The District Director merely states that [REDACTED] may be an instrumentality of the State of [REDACTED]. The District Director's letter fails to determine whether [REDACTED] is an instrumentality of the State of [REDACTED]. Consequently, the dissolution clause suffers from two serious defects, and they are: it is unclear whether [REDACTED] is presently a proper distributee of your assets upon dissolution; and assuming that [REDACTED] is a proper distributee of your assets upon your dissolution, it is unclear what would happen if [REDACTED] were dissolved before your dissolution.

As stated above, Section 1.501(c)(3)-1(a)(1) provides that if an organization fails to meet the operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as "operated exclusively" for exempt purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

In Rev. Rul. 77-366, 1977-2 C.B. 192, Taxpayer was a nonprofit organization that arranged and conducted ocean cruises during which activities to further religious and educational purposes were provided in addition to extensive recreational activities. The fourteen day cruises included educational programs for four hours a day for nine of the fourteen days. These four hours included a schedule of lectures, discussion groups, and special interest workshops on religious topics. At three of the five ports of call, cruise sponsored programs enabled the participants to spend minor portions of their time to meet with local church leaders, attend worship services, and/or visit mission projects. None of the events required any attendance. The Service ruled that the Taxpayer conducted both charitable and non-charitable purposes through its cruises. The extensive amount of time, energy, and other resources

that are regularly devoted to the conduct of recreational activities, together with the manner in which such activities are scheduled in relation to other cruise programs demonstrate a substantial and independent purpose of a non-charitable nature.

You are very much like the Taxpayer in Rev. Rul. 77-366 in that you conduct your Conferences in a recreational environment, which is some evidence that you conduct both charitable and non-charitable purposes through your Conferences. This conclusion is buttressed by your refusal to hold the scheduled conference when you discovered that there were not enough turkey hunting physicians to warrant such a Conference; and you offered no explanation concerning why a less recreational environment could not facilitate your educational purposes when confronted with this problem.

The conclusion is further supported by some of your advertisements. Your advertisements include a 3" by 5" card. The front of the card shows two hunters in a forest kneeling over two trophies. On the backside of the same card, the first sentence reads: "How would you like to tag a trophy like one of these and earn Category I AMA or AAFP Prescribed Hour CME Credits at the same meeting?" This card, like all of your advertisements, strongly indicates both a charitable and a non-charitable purpose.

Then there is the matter of your corporate purpose which is to provide a wide array of educational programs in a variety of atmospheres. It is clear that a "variety of atmospheres" includes the use of outdoor sports as an attraction to an educational program. This is further evidence that you conduct both charitable and non-charitable purposes through your conferences.

Using the indicia available, it is clear that like the organization in Rev. Rul. 77-366, you spend extensive amounts of time, energy and other resources in the recreational aspect of the Conferences. [REDACTED] hours were devoted to the December lectures, and [REDACTED] hours were made available for hunting during the December Conference. This is an extensive amount of time considering that only [REDACTED] hours were devoted to the lectures. Your energy seems heavily devoted to finding appropriate hunting facilities and insuring that you have an adequate number of hunters to attend your Conferences. You also spend extensive amounts of money on the recreational aspect of your Conferences. You indicated that [REDACTED] percent of your [REDACTED] budget was devoted to payments to the lodge, and you projected that [REDACTED] per cent of your [REDACTED] budget will be devoted to the same.

It is also interesting to note two facts that indicate the independence of the recreational purpose. The first is that the educational programs were primarily scheduled during evening hours

and during mid-day periods, which did not conflict significantly with organized hunting activities. The second is that you do not lower the price for those physicians who do not want to hunt.

Your dissolution clause is defective. Furthermore, your purposes clause is broader than that contemplated by section 501(c)(3). Additionally, your Conferences are devoted to both charitable and non-charitable purposes. The non-charitable purpose is recreation. You spend extensive amounts of time, energy and money on the recreational aspect of the Conferences. This recreational purpose is clearly independent of the educational purpose and is not insubstantial.

Based on these facts, we conclude that you are neither organized nor operated exclusively for charitable purposes. Accordingly, we conclude that you do not qualify for recognition of exemption from federal income tax under section 501(c)(3) of the Code, and contributions to you are not deductible under section 170 of the Code. You are required to file federal income tax returns on Form 1120.

You have the right to protest our ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the United States Tax Court, the United States Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following symbols on the envelope: [REDACTED]. These symbols do not refer to your case but rather to its location.

Sincerely,

(signed) [REDACTED]

Chief, Exempt Organizations
Rulings Branch 2

cc: DD, Atlanta
Attn: EO Group

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[REDACTED]					
Summary	[REDACTED]					
Date	5 Feb 90	2/8/90				